ADM Investor Services, Inc.

Weekly Futures Market Summary

October 9, 2023 **by the ADMIS Research Team**

BONDS:

On the one hand, the sharp slide in treasury prices following US jobs data last Friday, was justified but a low to high recovery of nearly 2 points from the post job's report slide low might have been overdone. In fact, given the nonfarm payroll gain was double expectations and prior month payrolls were revised higher, the bear camp leaves the trading week with clear fundamental control. Typically, a very surprising monthly nonfarm payroll report result takes more than one trading session to fully settle into prices. However, the treasury markets were aggressively oversold from last Friday's spike down move and spec positioning has certainly become excessively short.

Bonds positioning in the Commitments of Traders for the week ending October 3rd showed Non-Commercial & Non-Reportable traders were net short 194,486 contracts after increasing their already short position by 38,825 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders were net short 641,301 contracts after decreasing their short position by 8,726 contracts. In fact, adjusted for the bond market slide of two points from the COT positioning report mark off the net spec and fund short position in bonds is likely the largest since February 2021. While the net spec and fund short in treasury notes has held steady over the last several weekly readings the washout from last Tuesday should put the net spec and fund short near the highest levels since October 2018!

While treasuries were showing strength at the start of this week from the attacks over the weekend, the US cash treasury markets were closed for the Columbus Day holiday and ranges were narrower than normal. However, with the US nonfarm payroll reading a very definitive upbeat signal for the US economy (especially with back month nonfarm payroll readings revised upward) the bear camp should remain confident. Surprisingly, the CME Fed watch tool has lowered its probability of a rate hike next month from 27% late last week to 21% Monday morning.

CURRENCIES:

The action in the dollar last Friday should be quite unnerving for the bull camp, as very strong September US payroll readings should have pulled a wave of buying to the dollar. Furthermore, the dollar failed to benefit from upward revisions from prior monthly payroll readings, perhaps because of a slight softening of US wages which can be a sign of moderating inflation. Therefore, the dollar might be signaling an intermediate top, especially if ultra strong jobs data does not result in some hawkish commentary from the Fed.

While the dollar rebounded from the sharp spike down move last Friday, the initial inability to benefit substantially from the "out of the park" US nonfarm payroll report should concern the bull camp. However, given the ultra-strong headline jobs result and especially given the upward revisions in previous readings, the fundamental foundation of the bull run in the dollar is secure. The October 3rd Commitments of

Traders report showed Dollar Non-Commercial & Non-Reportable traders were net long 20,157 contracts after increasing their already long position by 1,525 contracts.

In retrospect, the euro was lucky to have managed a bounce at the end of last week as classic fundamental news from both sides Atlantic was bearish for the euro. In fact, the interest rate and macroeconomic differential edge between the US and Europe has expanded again in the favor of the Dollar and that should continue to facilitate money flows from Europe to the US. The Commitments of Traders report for the week ending October 3rd showed Euro Non-Commercial & Non-Reportable traders are net long 98,229 contracts after net selling 20,385 contracts.

As in many nondollar currencies the pound was fortunate to rally last week, especially with the US nonfarm payroll reading clearly reiterating the prowess of the US economy. In retrospect, the Canadian dollar was excessively oversold from a technical perspective into last week's low. However, the Canadian has corrected a portion of the extreme oversold condition from the recent washout and is likely getting temporary lift from the bounce in energy prices.

STOCKS:

The strength in equity prices last Friday was surprising as the markets displayed the capacity to discount "good economic data is bad for equity prices", perhaps because wage data showed a softening of inflation thereby comforting the Federal Reserve. The markets likely drafted support from merger talks between Pioneer Natural Resources and Exxon Mobil. However, the UAW strike continues but there that "bargaining activity has picked up". Surprisingly there were markets posting gains at the start of this week, despite what appears to be much more than simple military exchanges between Israel and Hamas.

However, equity markets might be supported by the much better than expected US nonfarm payroll reading from last Friday as that provides evidence the US economy continues to show growth despite surging interest rates. Unfortunately for the bull camp, corporate headlines early this week are mixed with optimism from a Bristol-Myers Squibb purchase of a cancer drug maker offset by reports of a "walkout" plan by Walgreens pharmacy employees. Additional negative headlines from the labor sector include the rejection of a contract offering from Mack Trucks and news that Ford will lay off another 495 workers.

All things considered, seeing the S&P shut off the aggressive August through early October selloff last week in the face of several bearish entrenched fundamental issues (rising rates, political battles, debt ceiling issues, etc.) might indicate value has been found above 4,235. In fact, the ability to avoid downside extensions in the face of persistent leaps and gains in US interest rates is very surprising. Perhaps markets are comforted by the ultra-strong US payroll results as that rekindles hope the killing of inflation will not put the US in recession. The Commitments of Traders report for the week ending October 3rd showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 7,081 contracts and are now net short 47,045 contracts.

Like the S&P, the Dow futures have apparently found value above last week's spike lows and the trade/investors have been comforted by the much better than expected jobs report. In other words, the markets appear to be accepting of the higher interest rate environment especially with signs the US economy has weathered the historic normalization of interest rates. Nonetheless, with the United Auto Workers strike, serious conflict in the Middle East and uncertainty in China, traders should avoid buying near close in chart resistance. The Commitments of Traders report for the week ending October 3rd showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 10,057 contracts and are now net short 29,535 contracts.

As indicated several times last week, the NASDAQ continues to show the strongest signs of life with the market building consolidation low support over the past three weeks and potentially poised to breakout up to the highest level since September 20th early this week. Nasdaq Mini positioning in the Commitments of

Traders for the week ending October 3rd showed Non-Commercial & Non-Reportable traders reduced their net long position by 2,449 contracts to a net long 51 contracts.

GOLD, SILVER & PLATINUM:

Not surprisingly, gold and silver are benefiting from the uncertainty created by the attack of Israel by Hamas. Fear of hostilities throughout the Middle East usually results in a knee-jerk reaction rally in gold, especially with respect to events involving Iran. However, many gold traders are rightly suspicious of the rally, and are likely to step into fresh short positions once it becomes clear other countries/parties are not entering the conflict. According to Bloomberg, gold rallied and failed in January 2020 when Iran launched retaliatory missile strikes on US bases in Iraq and a rally also failed in 2019 when oil flow through the Straits of Hormuz was threatened by.

With the dollar at the end of last week reversing down and posting a five-day low, at least one outside market pressure on gold and silver has moderated slightly. However, treasury market action continues to be limiting following another 17-year upside breakout in US treasury yields last Friday. In the absence of a major expanding geopolitical event, the prospect of further hikes in US interest rates was likely raised last Friday after the US published a blowout better-than-expected jobs report. Surprisingly, the CME Fed Watch tool has not increased its probability of a rate hike in the November meeting from 27.1%.

With the Chinese back from an extended holiday and their economy likely boosted by the holiday travel surge, traders should be monitoring all news from the Chinese property sector, action in the yuan and Chinese domestic gold prices as their does appear to be flight to quality buying of gold going on inside China. We suggest scared Chinese money is moving into gold because of the precipitous declines in the yuan. While the net spec and fund long in gold has fallen below 100,000 contracts, a year ago this week, the net spec and fund long was 56,999 contracts and prices were trading much lower than current levels in a range of $1,775 and $1,710. Therefore, from a classic positioning perspective gold has further long liquidation/stop loss selling potential.

The October 3rd Commitments of Traders report showed Gold Managed Money traders went from a net long to a net short position of 3,004 contracts after net selling 38,648 contracts. Non-Commercial & Non-Reportable traders net long 99,024 contracts after decreasing their long position by 33,851 contracts. As indicated several times last week, the silver market continues to behave better than gold and has managed to build a consolidation zone on top of $21.00 with the trade at times posting gains in the face of declines in gold. Unfortunately for the bull camp, silver lacks a definitive bullish fundamental theme capable of overcoming bearish outside market headwinds.

The Commitments of Traders report for the week ending October 3rd showed Silver Managed Money traders net sold 7,694 contracts which moved them from a net long to a net short position of 1,848 contracts. Non-Commercial & Non-Reportable traders are net long 25,882 contracts after net selling 5,543 contracts. In retrospect, the platinum market fell precipitously last week despite favorable US total vehicle and total light vehicle sales readings and showed very little bounce in the face of US jobs data which should temper global economic slowing fears. However, the PGM markets do not show consistent sensitivity to outside market signals and are likely to continue to erode.
On the other hand, the palladium market with the declines at the end of last week likely has a record net spec and fund short while the platinum with the declines late last week might only be approaching neutral positioning. The October 3rd Commitments of Traders report showed Platinum Managed Money traders were net short 9,623 contracts after increasing their already short position by 7,897 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 5,143 contracts to a net long 7,490 contracts. The October 3rd Commitments of Traders report showed Palladium Managed Money traders net bought 569 contracts and are now net short 8,789 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 551 contracts to a net short 10,007 contracts.

COPPER:

Apparently there were reports of strong Chinese demand early this week as Chinese entities returned from holiday and possibly caught up on operations. However, prices should be limited following news that copper inventories in key Chinese facilities increased by 20,500 metric tonnes from September 28th to October 7th, with the latest reading 10,900 metric tonnes above year ago levels. The most positive development for the copper market is last week's triple low formation which provides a thin layer of support early this week. While the end of the extended Chinese holiday might result in a smattering of upbeat economic Chinese press reports, the woes of the property sector remain and would be buyers are unlikely to step in in force without another stimulus package.

Overhanging the market is last week's International Copper Study Group forecast of a large 467,000-tonne surplus of copper next year. The study group also raised their August 2023 copper deficit projection to 27,000 tonnes from a smaller deficit of 18,000 metric tonnes in July. It should also be noted that the group projected a 90,000 metric ton deficit in June. In the end, the International Copper Study Group sees the tight supply scenario loosening and expects more production in the coming 12 months. The October 3rd Commitments of Traders report showed Copper Managed Money traders reduced their net short position by 8,245 contracts to a net short 12,975 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 7,540 contracts to a net short 20,363 contracts.

ENERGY COMPLEX:

So far, the battle between Israel and Hamas has resulted in an anticipatory supply threat, but a real supply threat could surface if Iran begins to play a prominent role in the conflict. However, a portion of the large bounce is justified given the sheer magnitude of the attacks which distinguish the current situation from periodic skirmishes. According to some estimates, 1,200 people have been killed and with the US moving ships into the region that could spark a negative reaction from the Arab world. Certainly, the outbreak of hostilities in the Middle East tempers global economic sentiment and in turn questions global energy demand. However, the ultra-strong US jobs report last Friday and the return of China from holiday should help cushion prices against demand fears.

In fact, this weekend China issued its fourth-round of 2023 crude oil import quotas of 9.54 million tonnes which allows for a total yearly import of 203.6 million metric tonnes. Fortunately for the bull camp, China is also ramping up its oil inventories with the latest monthly readings from August showing inflow of 1.32 million barrels per day! In another bullish development over the weekend Russia has left its ban on gasoline exports and cross border railway sales of diesel in pace which extends a supply threats from last week. Yet another supportive fundamental from the supply front is a 15% week over week decline in global floating storage with the latest storage readings the lowest reading since December.

In retrospect, last week's EIA report added to the global tightening argument with a minimal decline in EIA crude oil stocks and with Cushing, Oklahoma stocks still hovering just above shutdown levels. Cushing, Oklahoma most recently had 22,090,000 barrels in storage with the minimum required supply for continued operations widely seen around 20 million barrels. Unfortunately for the bull camp, the COT positioning report in crude oil recently held the largest net spec and fund long since March 2022 and despite the decline of nearly $7.00 from the positioning report calculation the crude oil market remains vulnerable to additional stop loss selling.

Crude Oil positioning in the Commitments of Traders for the week ending October 3rd showed Managed Money traders were net long 306,662 contracts after decreasing their long position by 7,857 contracts. Non-Commercial & Non-Reportable traders were net long 420,666 contracts after increasing their already long position by 3,046 contracts. With signs of a very healthy US jobs market, fresh Middle East supply concerns and the return of China from holiday (with additional crude oil import quotas) the $80 level should be a very solid support zone. A normal retracement of the late September early October washout allows for a bounce to $84.89 without reversing the downtrend.

In retrospect, last week's EIA report was patently bearish for gasoline with a very large 6.4-million-barrel inflow, the annual year over year surplus more than doubling in one week and EIA weekly implied gasoline demand falling by 600,000 barrels per day. On the other hand, seeing Russia extend its gasoline export ban and given very strong US jobs data escalating demand fears from the past three weeks should be heavily discounted. Furthermore, projections that 2.5 million barrels per day of US refinery output will be idled because of seasonal maintenance should reduce flows toward storage and offset normal seasonal demand contraction. In conclusion, refining margins have started to fall and reduced activity from lower profits combined with maintenance should mean gasoline has found solid value.

In fact, the net spec and fund long in gasoline has fallen only over the last several weeks, and with a decline of $0.17 from the latest COT report measuring date gasoline has what we would call a "mostly liquidated" position of 42,000 contracts net long. The October 3rd Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 48,436 contracts after net selling 2,985 contracts. Non-Commercial & Non-Reportable traders are net long 51,246 contracts after net selling 1,688 contracts. From a technical perspective, the $2.15 level in December RBOB has some credibility as support but the will need consistent respect of $2.20 this week to suggest solid value has been established.

The diesel market appears to have found some value at the $2.80 level and has ongoing global attention from "tightness of the global diesel market". Therefore, seeing Russian retain diesel export restrictions via rail over the weekend provides fresh bullish fodder. Unfortunately for the bull camp, the net spec and fund long in diesel remains near seven-year highs and while that positioning has been reduced by the post COT report slide of $0.32, the market might lack substantial buying fuel. The Commitments of Traders report for the week ending October 3rd showed Heating Oil Managed Money traders net bought 1,606 contracts and are now net long 39,667 contracts. Non-Commercial & Non-Reportable traders net sold 3,161 contracts and are now net long 67,668 contracts.

Even though the global natural gas trade has indicated the Middle East conflict will not impact global natural gas supply flow, prices have extended on the upside as if other factors are present. While the prospect of cooler temperatures and a smaller than expected injection last week sparked the initial recovery last week, surging Chinese coal prices (which increases the attractiveness of gas fired electricity generation) and technical reversal signals (from a pre-existing net spec and fund short positioning) justify a portion of this week's upside follow-through. In other words, while we think the current rally is overdone, the market was net spec and fund short last week, last week's EIA report injection was smaller than expected and the surplus versus the five-year average storage level contracted from 6% to 5.3%. In other words, US supplies are still burdensome but are slowly coming down.

While not as important to the bull case there are periodic signs US export flow is recovering and could see new records in the coming months. Unfortunately for the bull camp European strategic storage levels are already near capacity and typical pre-winter buying is unlikely to surface in concentrated amounts. Natural Gas positioning in the Commitments of Traders for the week ending October 3rd showed Managed Money traders are net short 41,224 contracts after net buying 14,966 contracts. Non-Commercial & Non-Reportable traders are net short 61,558 contracts after net buying 14,961 contracts. We concede to the need for further short covering from the early October low of $3.216 in the December contract, but we do not embrace the idea of a sustained sharp move higher ahead. However, signs of cooler weather have at least caused the bear camp some concern and with the US surplus to the five-year average continuing to narrow (consistently for the past nine weeks) prices down at $3.50 in the December contract should be seen as too cheap. In conclusion, December gas could now track in a range bound by $3.50 and $3.73.

BEANS:

The surprise incursion by Hamas militants into Israel over the weekend has sent crude oil prices $3 per barrel higher and Israel is pointing the finger toward Iran, which could widen the conflict. Funds erased nearly all their net long position as of Wednesday last week and it has been since April 2020 that funds have held a net short position. The USDA supply and demand report will be out on Thursday of this week. Good harvest weather to start the week here in the US, then the last half of the week into the weekend heavier showers move into Nebraska, Iowa, and northern Illinois, which could create some harvest delays.

Expectations of additional Chinese demand this week are in pace as they fully return from their holiday and that may underpin the market. Export inspections and harvest progress will be delayed until Tuesday due to the Columbus Day holiday. Southern Brazil continues to get excessive rains and Argentina and northern Brazil both see continued below normal rainfall. CONAB will release their updated crop numbers on Tuesday. Biodiesel margins are very strong and the sharp crude oil rally is expected to boost soybean oil. The higher US dollar is a headwind again, but strong energy prices and geopolitical uncertainty should keep support under the market.

The Commitments of Traders report for the week ending October 3rd showed Soybeans Managed Money traders are net long 5,001 contracts after net selling 25,057 contracts. Non-Commercial & Non-Reportable traders went from a net long to a net short position of 22,037 contracts after net selling 33,765 contracts.

The October 3rd Commitments of Traders report showed Soyoil Managed Money traders are net long 41,384 contracts after net buying 6,334 contracts. Non-Commercial & Non-Reportable traders added 6,442 contracts to their already long position and are now net long 53,667.

Soymeal positioning in the Commitments of Traders for the week ending October 3rd showed Managed Money traders are net long 40,985 contracts after net selling 18,211 contracts. Non-Commercial & Non-Reportable traders are net long 78,696 contracts after net selling 22,772 contracts.

CORN:

Geopolitical risk has taken center stage over the weekend as the major incursion by Palestinian militants into Israel has created the worst violence between the two countries since the Yom Kippur war 50 years ago this month. The effect of the conflict on grain prices has so far been bullish as grains rallied on the back of a $3 per barrel jump in crude oil. Israel is blaming Iran for helping Hamas plan the attack. In the past, conflicts that spread across the Mideast have caused some countries to adopt a policy of increasing their grain stocks in case a widespread war breaks out and supplies are harder to get. It may be too early yet to say if that's going to happen but it must be put on the radar. Harvest progress report and export inspections will be delayed until Tuesday due to the Columbus Day holiday and progress is expected to be in the 35-40% range.

Dry weather will dominate virtually the entire Midwest through Wednesday when showers begin across the central Midwest into the Eastern corn belt. Rainfall could be heavy across Nebraska, Iowa and northern Illinois. USDA's October supply and demand report will be out this Thursday. Argentina's forecast remains dry for this week and if dry conditions continue there is a chance that some corn plantings could be switched to beans since they can be planted later. Funds reduced their short positions by 10,000 contracts through Wednesday of last week as some short covering was seen on last week's rally but remain short a sizable 160,000 contracts. Although the US dollar is stronger, strong energy prices and fears of renewed global food security concerns will underpin the market.

The Commitments of Traders report for the week ending October 3rd showed Corn Managed Money traders reduced their net short position by 9,173 contracts to a net short 159,433 contracts. CIT traders were net long 254,765 contracts after increasing their already long position by 8,087 contracts. Non-Commercial No CIT traders net bought 6,191 contracts and are now net short 211,738 contracts. Non-Commercial & Non-Reportable traders net bought 15,562 contracts and are now net short 164,821 contracts.

WHEAT:

Reports at the start of this week that the US is sending military ships and aircraft closer to the Middle East region after the Palestinian incursion into Israel has sparked the worst violence there in 50 years. The violence will drive geopolitical wedges between countries that support the Palestinians and those that support Israel. Many citizens of countries in the Middle East rely heavily on government subsidized bread, and any hint of a threat to wheat supplies will give those countries reasons to increase imports of grain as a precaution. Look for additional tenders coming from the region in the next few days.

Dryness in Argentina and Australia are supportive factors and heavy rains continue on Brazil's wheat growing areas. Argentine farmers are forward selling their wheat at the slowest pace in seven years, likely due in part to the coming presidential election on October 22 which could usher in a major change in agriculture policies. Wheat seeding progress will be delayed until Tuesday due to the Columbus Day holiday. The sharp rise in geopolitical risk over the weekend favors the bull camp.

Commitment of Traders data showed funds still short 99,000 contracts, leaving plenty of fuel for short covering if the market can penetrate resistance. Volume tended to fade on last week's rally which isn't too good a sign for the bull camp. However, we do expect support on breaks early this week as the Mideast conflict could create a rise in food security concerns.

The October 3rd Commitments of Traders report showed Wheat Managed Money traders were net short 98,788 contracts after increasing their already short position by 2,404 contracts. Non-Commercial & Non-Reportable traders added 3,623 contracts to their already short position and are now net short 69,863.

The October 3rd Commitments of Traders report showed KC Wheat Managed Money traders net sold 7,442 contracts and are now net short 23,827 contracts. Non-Commercial & Non-Reportable traders were net short 28,347 contracts after increasing their already short position by 8,749 contracts.

HOGS:

December hogs saw a sharp three-day rally last week that could leave them vulnerable to back and fill price action, especially if outside markets turn sour in the wake of the attack on Israel over the weekend. The attacks supported several commodities including crude oil, but this has the potential to spark a selloff in equities, which could spill over to other markets like hogs that tend to draw support from a strong economic outlook. On Friday the strong jobs number and the subsequent bullish reaction from the stock market lent carryover support to the hog market that allowed them to extend their recovery. December hogs have now reclaimed 50% of their decline from the September 20 high to last week's low. The CME Lean Hog Index as of October 4 was 83.70, down from 84.28 the previous session and 86.14 the previous week.

The USDA estimated hog slaughter came in at 476,000 head Friday and 153,000 for Saturday. This brought the total for last week to 2.564 million head, down from 2.599 million the previous week and 2.568 million a year ago. Estimated US pork production last week was 533.8 million pounds, down from 539.4 million the previous week and 548.8 million a year ago. The USDA pork cutout released after the close Friday came in at $92.68, down 95 cents from Thursday and down from $96.55 the previous week. This was the lowest the cutout had been since August 31. Friday's Commitments of Traders report showed managed money traders were net sellers of 18,739 contracts of lean hogs for the week ending October 3, reducing their net long to 13,719, which is close to neutral.

CATTLE:

Several commodity markets were higher early this week in the wake of the attack on Israel, and this could lend support to cattle as well. However, if the equities sell off and a risk off mood develops, this could put carryover pressure on the market. December cattle reversed support Friday from the strong US jobs report. The USDA estimated cattle slaughter came in at 112,000 head Friday and 17,000 head for Saturday. This brought the total last week to 628,000 head, up from 612,000 the previous week but down from 669,000 a year ago. The estimated average dressed cattle weight last week was 829 pounds, up from 827 the previous week but down from 830 a year ago. The 5-year average weight for that week is 831 pounds.

Estimated beef production last week was 519.2 million pounds, down from 554.6 million a year ago. The USDA boxed beef cutout gained $4.25 on Friday to end the week at $302.01. This was up from $300.78 the previous week. Cash live cattle trade was lower last week. As of Friday afternoon, the five-day, five-area weighted average price was $182.65, down from $183.59 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 7,682 contracts of live cattle for the week ending October 3, reducing their net long to 94,178. This is in the upper end of the historic range, which leaves the market vulnerable to heavy selling if support levels are taken out.

COCOA:

December cocoa experienced a positive technical reversal on Friday that suggests a near term low could be in place. It was not among the commodity markets that were higher at the start of this week in the wake of the attack on Israel, perhaps because it is not viewed as a necessity the way energy, grains, or sugar are. However, cocoa does face a potential global supply deficit for a third straight season, and if demand prospects are not diminished by the weekend's events, the market may be able to build off last week's low.

Updated forecasts have this season's Ivory Coast production falling to a 6-year low after late and heavy rainfall caused problems with the crop this summer. Ghana and Nigeria are also expected to see lower output this season. Friday's Commitments of Traders report showed managed money traders were net sellers of 11,250 contracts of cocoa for the week ending October 3, reducing their net long to 55,271. The net long has declined by 24,270 contracts (31%) in just two weeks, which eases the overbought conditions and reduces the threat of long liquidation selling.

COFFEE:

Coffee prices were higher at the start of this week and seemed to draw support from a generally positive mood in the commodities in the wake of the attacks on Israel over the weekend. This a reversal higher on Friday after trading to a new 28-month low, which was a positive technical development. Indications that this season's Central American production may come in lower than last season provided fundamental support to the market going into the weekend. ICE exchange coffee stocks were unchanged on Friday, but they remain close to their lowest levels since November.

There is rainfall in the forecast for Brazil's main Arabica growing region over the next ten days, which should benefit flowering and development for the 2024/25 crop. The Brazilian real fell to its lowest level since March on Friday but then reversed and closed higher, which is supportive for the currency and reduces pressure on Brazilian growers to sell their crops. Friday's Commitments of Traders report showed managed money traders were net sellers of 5,229 contracts of coffee for the week ending October 6, increasing their net short to 26,756. This is far from their record net short, but it does leave the market exposed to short covering if resistance levels are breached.

COTTON:

December cotton gapped higher at the start of this week as anxiety in the wake of the attack on Israel supported several commodity markets. The market fell to the 50-day moving average on Thursday and held that line on Friday, which is technically supportive. The trade is looking for declines in US 2023/24 cotton production, exports, and ending stocks in Thursday's monthly USDA supply/demand report. The average trade expectation for US production is 12.91 million bales, with a range of expectations from 12.50-13.50 million. This would be down from 13.13 million in the September report. Exports are expected to come in around 12.10 million bales (range 11.65-12.4. million) and down from 12.30 million in September.

Ending stocks are expected around 2.96 million (range 2.80-3.25 million) versus 3.00 million in September. World production is expected to decline by 470,000 bales, with consumption down 270,000 and ending stocks down 260,000. Friday's Commitments of Traders showed managed money traders were net buyers of 8,833 contracts of cotton for the week ending October 3, increasing their net long to 54,353. This is their largest since June 2022 but not an extreme. The buying trend is short-term positive. Australia experienced its driest September on record, and traders will be keeping an eye on their cotton production as El Nino sets in.

SUGAR:

The sugar market was higher at the start of this week as it drew support from strength in other commodities, particularly the energy markets, which were higher in the wake of the attack on Israel over the weekend. With south Asia supply issues continuing to provide support, sugar could see a recovery move back to contract highs. The Brazilian real rallied from a new 6-month low to grind out a modest gain Friday, and this lent support to sugar on ideas reduces pressure on cane crushers to process sugar for export. Concern that this season's Thailand production and exports will see a sharp decline in 2023/24 also supported sugar last week.

At this point, it appears India could face a supply deficit this season, which would keep them out of the global export market. A German trade group forecast that their nation's sugar production to increase 12.9% in 2023/24, and USDA is forecasting EU production to be up 3% from 2022/23. Friday's Commitments of Traders report showed managed money traders were net sellers of 21,643 contracts of sugar for the week ending October 3, reducing their net long to 183,278. The net long is historically large, leaving the market vulnerable to heavy selling if support levels are taken out. The selling trend is short-term negative as well.